

MP3 Headphones by Spotify



Hannah Ledyard

University of Southern California

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Dr. Badame

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Overview of ISPM Topic

Spotify will design a pair of headphones with a built-in MP3 player. If a Spotify user had MP3 Headphones, they could store music in a simple, no-hassle listening device and take their music on the go without interruption.

To start, Spotify will release two models. The first would hold up to 4 GB of storage or about a thousand songs, have a six-hour battery life, and shuffle through the MP3 files. The second model would hold up to 8 GB of storage or about two thousand songs and have a six-hour battery life that mixes through the MP3 file. These models will be small devices that can be placed directly into the ear.

Spotify should think about a third model that is more stylish – think Beats noise-canceling headphones. This model would cover the entire ear and block out other sounds around the listener. These headphones would be the highest price point and could store up to 16 GB or four thousand songs. They would be great for long plane rides where someone might not want to run their phone battery out.

Runners, bikers, hikers, and many athletes would love a device that would allow them to disconnect from messages, emails, phone calls, and social media while still being able to listen to music or a book. Spotify's MP3 headphones will allow users to leave the phone behind on outdoor activities like running, biking, and hiking and still get pumped up or lost in the rhythm of their favorite songs.

Right now, Apple has an Apple Watch that can store music and connect to the EarPods, but the phone still connects to iMessage and Emails. These two products paired together are the closets the market has to offer today. Although the apps available on the watch make it more challenging to disconnect from other people or obligations. The cost of Apple watches, EarPods, and other Bluetooth headphones should be examined to estimate a price point for the Spotify MP3 Headphones.

Spotify does not currently make its headphones, but they have an app that can link with specific brands of headphones (Bose, Skullcandy, etc.), making it easier to connect with the Spotify app on a cell phone. Headphones would be a new venture for the company. However, these MP3 headphones would easily connect to their user's Spotify library, allowing their favorite songs, podcasts, books, and playlists to be available without a detached device like a cell phone or Apple Watch.

Executive Summary

Spotify's "mission is to unlock the potential of human creativity – by giving a million creative artists the opportunity to live off their art and billions of fans the opportunity to enjoy and be inspired by it." The company launched in 2008 during a new age in music. Cassette tapes, CDs, and the radio were dying out, and Spotify became one of the significant players modernizing how people listen to music.¹

Today, people rarely listen to CDs or cassette tapes and instead stream their music through a service on their phones into headphones. Streaming music was first introduced to the public in 1999 and has grown into a booming market.² Spotify is the most popular music streaming service available today. Spotify's competitors are Pandora, Amazon Music, and Apple Music, which keep Spotify striving for the latest innovations. Apple sells many other tech devices, including AirPods. AirPods alone brought in an estimated 14.5 billion in profit for Apple in 2022.³

Spotify offers different pay tiers for listening to their music. There is a free version of Spotify that offers less choice when choosing specific songs and includes ads. There is also a premium version that allows listeners to experience none interrupted music play (no ads), high-quality listening experience, and downloads.⁴

Although Spotify is incredibly popular, it continues to lose money year after year because most of its revenue goes to paying back artists and record labels.⁵ This report aims to help Spotify develop MP3 Headphones. These headphones would let music listeners leave their phones or watches behind and stream Spotify playlists without a separate listening device. Phones and watches allow users to get messages, emails, and social media distractions that interfere with the music. Getting rid of the separate device provides for an uninterrupted listening experience. Below are three recommendations for promoting Spotify MP3 Headphones:

- 1) Artist Collaboration Headphones – This recommendation establishes a partnership between the artist and Spotify to design a pair of headphones fans of specific artists will want to purchase
- 2) Headphones made with recycled materials – This recommendation will help Spotify stay eco-friendly

¹ Spotify. (2023, August 17). About Spotify. Retrieved October 2, 2023. <https://newsroom.spotify.com/company-info/>

² Mixdown. (2023, August 21). The history of Music Streaming. Mixdown Magazine. <https://mixdownmag.com.au/features/the-history-of-music-streaming/>

³ Kombo, S. (2023, August 30). Apple AirPods revenue dwarfs that of Tech Giants. Techweez. <https://techweez.com/2023/08/30/apple-airpods-revenue-tech-giants/#:~:text=Based%20on%20data%20from%20Securities,in%20%2414.5%20billion%20in%20revenue.>

⁴ Spotify. (n.d.). Spotify Premium - Spotify (US). <https://www.spotify.com/us/premium/>

⁵ The Art of Business. (2023, August 11). Why Spotify keeps losing money. YouTube. <https://www.youtube.com/watch?v=y9K6PVWGBEM>

- 3) Get money towards the newest version of Spotify's MP3 Headphones when you turn in your old pair – This recommendation will help customers stay loyal to the Spotify brand

Included is a bonus recommendation for Spotify:

- 1) Rent audiobooks through Spotify – This recommendation will help Spotify develop more cost tiers and increase revenue streams.

Spotify's primary audience can be found throughout the globe, with more listeners in Europe than in other places. The primary demographic for Spotify listeners is young adults, with about 60% of the users being Millennials and Gen-Z. Seniors make up about 20% of Spotify's audience. Spotify has more female listeners than male listeners.⁶ Spotify users who use the free listing service are mostly 35 and under.⁷

Situation Analysis

Imagine a young woman ready for a long run; the last thing she does before setting off is pop in her Apple Earbuds and select a playlist on her Apple watch. Just a few seconds into her run, her watch lights up with an iMessage, and we hear a ding from the headphones interrupting her groovy beat. She ignores it and continues on her way, but only a moment later, another banner appears with an Instagram notification and another ding through the headphones. Before she can return to the music and run, a call comes in, and the phone rings. The runner stops for a moment to check that everything is okay...

Now Imagine a young woman ready for a long-distance run. Again, the last thing she does before starting her run is pop in some Spotify headphones, but this time, music begins to play as soon as they are in her ears. The woman has no Apple Watch and no cell phone with her. All she has is her Spotify Headphones filled with her own curated playlist of songs, a soundtrack to motivate her movement.

Spotify's primary customers are young people aged 18-24, living at home.⁸ As much as young people want to stay connected through social media and cell phones, the constant

⁶ Nadia. (2022, December 11). 50+ statistics proving Spotify growth is soaring in 2021. Siteefy. <https://siteefy.com/spotify-statistics/>

⁷ Glenday, J. (2021, July 13). 71% of Spotify free listeners are aged under 35 – so how can marketers reach them?. The Drum. <https://www.thedrum.com/news/2021/07/13/71-spotify-free-listeners-are-aged-under-35-so-how-can-marketers-reach-them>

⁸ Larkin, S. (2023, March 17). Who is Today's Spotify Consumer? Comscore, Inc. Retrieved October 6, 2023. <https://www.comscore.com/Insights/Blog/Who-is-today-s-Spotify-Consumer#:~:text=Who%20is%20the%20Spotify%20Consumer,visit%20Spotify%20in%20January%202023.>

bombardment of notifications can be overwhelming. To get back to the music and lose the relentless alerts, I propose that Spotify create a pair of MP3 Headphones. These headphones will sink with Spotify user's accounts and allow music to be uploaded directly onto the device.

Creating their own headphones will also create a separate revenue stream for Spotify. Users must purchase the headphones and pay a premium subscription to use the listening device. By breaking into the headphones market, Spotify will no longer rely solely on subscribers and instead create a one-of-a-kind listening device that will help with its bottom line.



Figure 1 shows someone listening to Spotify; we can imagine that they are using Spotify MP3 Headphones.⁹

⁹ Editorial Team. (2020, February 21). Hide your music playlists on Spotify ★ the teenager today. The Teenager Today. <https://theteenagertoday.com/hide-your-music-playlists-on-spotify/>

SECTION ONE

Situation Analysis (Spotify)

❖ Industry Market Analysis

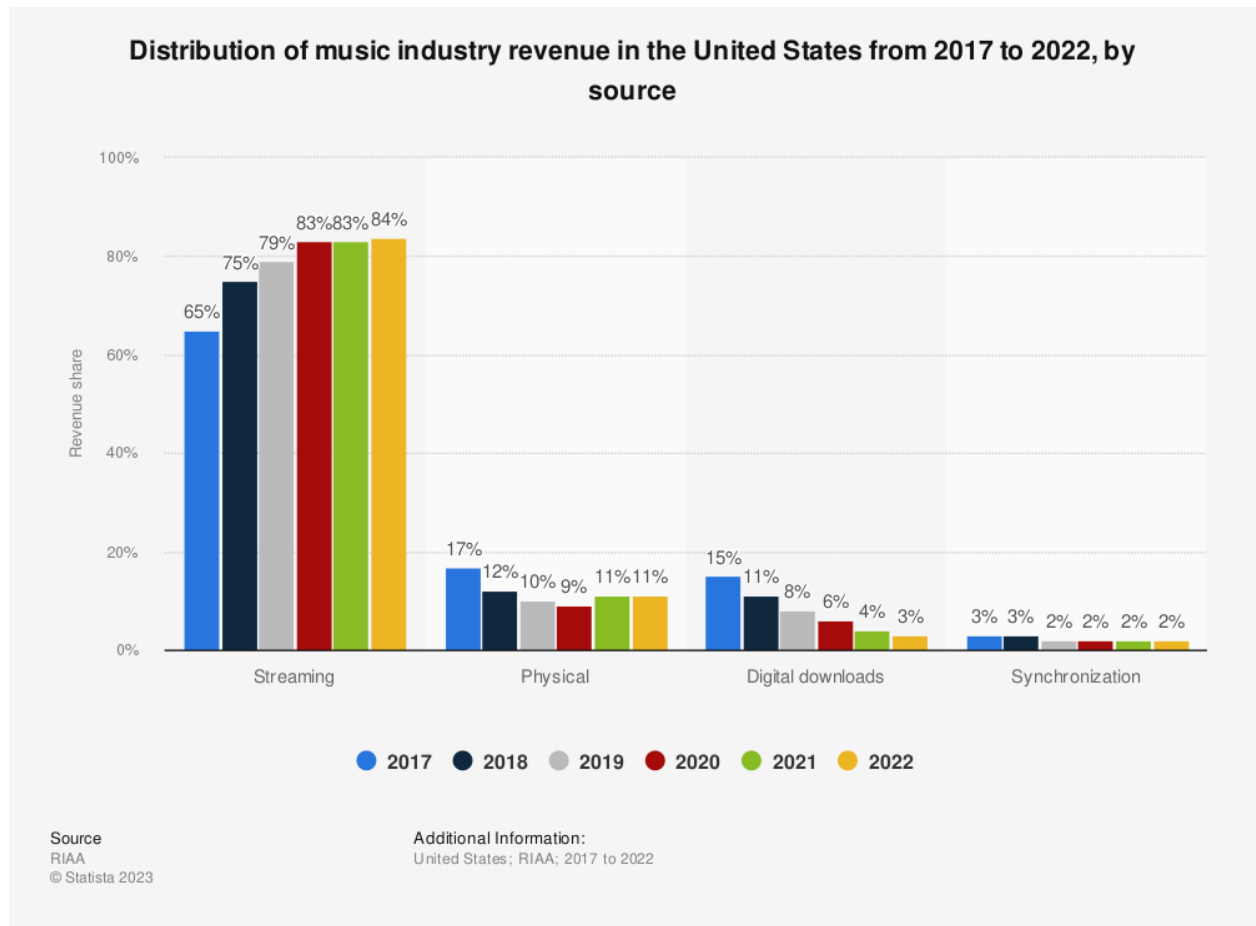


Figure 2 shows the revenue from music from 2017 to 2022. Streaming music companies are the leading source of revenue for music sales.¹⁰

➤ Streaming Music

- Most music today is listened to through a streaming service (see Figure 2). The shift from hard copies of music like CDs and cassette tapes to digital music first came about in 1999 with Napster. Napster allowed users to listen to and download music

¹⁰ RIAA. (2023). Distribution of music industry revenue in the United States from 2017 to 2022, by source [Graph]. In *Statista*. Retrieved October 07, 2023. <https://www-statista-com.libproxy2.usc.edu/statistics/186304/revenue-distribution-in-the-us-music-industry/>

for free. While this platform ultimately failed due to copyright laws, streaming music became the standard. In 2003, iTunes was launched by Apple and allowed users to purchase music and create their own music library. Songs were available for only \$0.99 and sold in conjunction with Apple's MP3 music player (the iPod). The iPod and iTunes together gave listeners a new way to take music listening on the road. 2005 saw the rise of Pandora, which created playlists for listeners depending on the music they listened to most.¹¹

➤ Spotify

- Instead of purchasing each song like iTunes, Spotify allows unlimited access to their music library for a monthly fee. There is a free version, but the song choice is more limited, and there are ads.¹² In 2013, the streaming service had over 24 million users and over 6 million paying for a subscription.¹³ Today, Spotify is still the most popular music streaming service, with over 551 million users and over 220 million subscribers.¹⁴

➤ Trends

- Podcasts Integration
 - Many music streaming platforms are expanding their libraries to include Podcasts.

Spotify has begun buying podcast studios and releasing exclusive content on its

¹¹ Mixdown. (2023, August 21). The history of Music Streaming. Mixdown Magazine.

<https://mixdownmag.com.au/features/the-history-of-music-streaming/>

¹² Simple Alpaca. (2022, August 10). Spotify Premium vs free Spotify! (should you upgrade?). YouTube.

<https://www.youtube.com/watch?v=0XoyRBkn5sc>

¹³ Swanson, K. (2013). A Case Study on Spotify: Exploring Perceptions of the Music Streaming Service. *MEIEA Journal*, 13(1), 207-230. <http://libproxy.usc.edu/login?url=https://www.proquest.com/scholarly-journals/case-study-on-spotify-exploring-perceptions-music/docview/1519295625/se-2>

¹⁴ Spotify. (2023, August 17). About Spotify. Retrieved September 30, 2023.

<https://newsroom.spotify.com/company-info/>

platform. This helps Spotify sell more subscriptions because some new users are interested in listening to the exclusive podcasts.¹⁵

- Artificial Intelligence (AI)
 - AI has begun infiltrating the music industry by offering computer-made covers and beats. These songs are uploaded onto music streaming platforms and could pull music listener's attention away from human-made music. AI covers infringe on copyright laws and violates the rights of the artists.¹⁶
- Sustainability Initiatives
 - Streaming music has a lower carbon footprint than physical forms, but storing and processing music requires extensive energy. Many streaming companies and digital storage companies have pledged to go green. They have begun using alternative, eco-friendly energy sources.¹⁷

➤ Technology

- We no longer buy physical copies of music but instead download digital copies for consumption. This allows for a more personalized music experience¹⁸ because we can construct playlists to fit every mood.
- Streaming music allows listeners to store and hear digital copies of songs.

¹⁵ Neu, M. (2022, April 19). Podcasts and audio content: Music streaming platforms are diversifying. Reprtoir. Retrieved October 7, 2023. <https://www.reprtoir.com/blog/podcast-music-streaming>

¹⁶ Hoover, A. (2023, April 17). Ai-generated music is about to flood streaming platforms. Wired. <https://www.wired.com/story/ai-generated-music-streaming-services-copyright/>

¹⁷ Tachev, V. (2022, July 11). Music and the environment: How are streaming companies impacting the climate? Energy Tracker Asia. <https://energytracker.asia/music-and-the-environment-how-are-streaming-companies-impacting-the-climate/>

¹⁸ Rajkumar, B. (2023, July 10). What is audio streaming & how does audio streaming work? CONTUS VPlayed Blog | The Future Trends & Technologies of Video and Audio Streaming. Retrieved October 1, 2023. <https://www.vplayed.com/blog/what-is-audio-streaming/>

- Live Streaming is broadcast in real-time and allows listeners to hear music as it is recorded.
- On-Demand is recorded beforehand and made available for users to listen to a song anytime and anywhere.¹⁹
- Smartphones allow users to download the app of their preferred music streaming service and have their favorite songs available at all times.

➤ Legal

- Many lawsuits have arisen throughout the years between music streaming companies and record labels.
 - Universal Music Group, Sony Music Entertainment, and other record labels sued Internet Archive (a nonprofit) over copyright infringement in August. The record labels say Internet Archive is an “illegal record store” and is suing for \$412 million in damages.²⁰
- Lawsuits against music streaming companies also come from their customer's data being breached.
 - Spotify is facing fines in Sweden because it breached data access rights. The European Union claims that Spotify did not correctly share users’ data when requested.²¹

¹⁹ Jena, A. (2023, April 4). What is audio streaming & how does it work? Muvi One. Retrieved September 29, 2023. <https://www.muvi.com/blogs/what-is-audio-streaming#:~:text=Audio%20streaming%20is%20the%20process,either%20live%20or%20on%2Ddemand>.

²⁰ Brittain, B. (2023, August 11). Music labels sue internet archive over digitized record collection. Reuters. <https://www.reuters.com/legal/music-labels-sue-internet-archive-over-digitized-record-collection-2023-08-12/>

²¹ Lomas, N. (2023, June 13). *Spotify fined in Sweden over GDPR Data Access Complaint*. TechCrunch. <https://techcrunch.com/2023/06/13/spotify-gdpr-data-access-fine/>

- With AI, the music industry is in for more changes, and with that comes potential legal issues. AI-generated songs may imitate artists without those artists' consent, which can potentially create new lawsuits.
- An AI-generated Drake and Weekend mashup is causing a copyright debate, and the artist's record label demands that streamers remove the mashup from their platforms. The labels argue that the song infringes on copyright laws.²²

❖ Competition Analysis

Number of active users of major music streaming services in the United States from 2016 to 2025 (in millions)

Music streaming giants: number of users U.S. 2016-2025

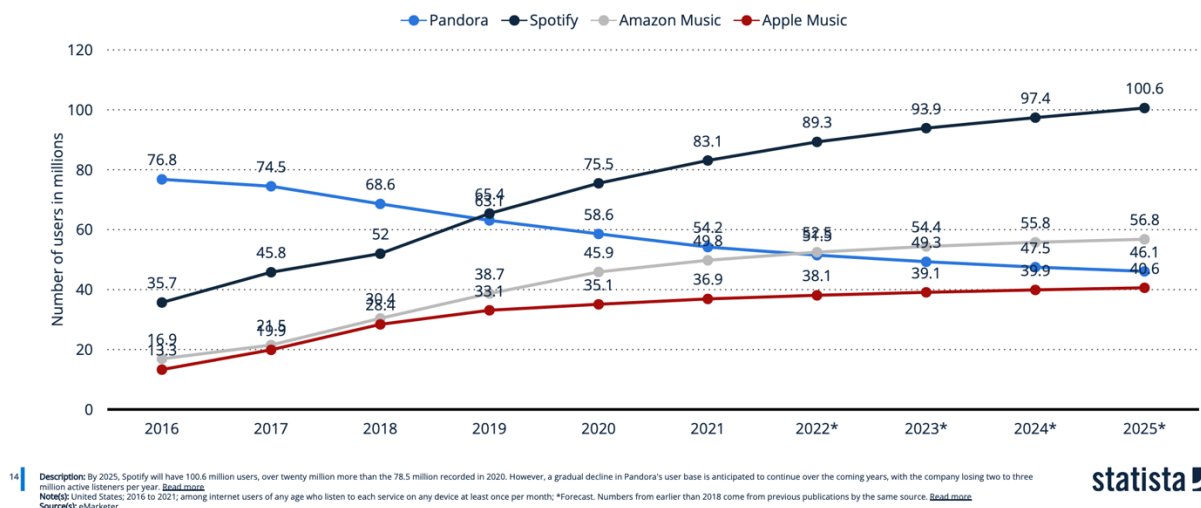


Figure 3 shows the major music streaming companies and how many people are listening on those platforms in the United States.²³

²² Nelson, J. (2023, April 19). Drake and The Weeknd AI Mashup backs Spotify, Apple into a copyright corner. Decrypt. <https://decrypt.co/137293/drake-the-weekend-heart-sleeve-ai-artificial-intelligence-spotify-apple-music-copyright>

²³ eMarketer. (2021). Number of active users of major music streaming services in the United States from 2016 to 2025 (in millions). [Graph]. In Statista. Retrieved October 06, 2023, from file:///Users/hannahledyard/Downloads/study_id21423_spotify-statista-dossier.pdf

- Streaming Music provides users with an easy way to store, compile, and listen to their favorite musicians. Spotify leads the streaming music market, with Amazon Music, Pandora, and Apple Music as its most significant competitors (see Figure 3).
- Competitive Matrix
 - These competitors were picked based on market shares (see Figure 4).

Major Player	Spotify ²⁴	Amazon Music	Apple Music	Pandora
Description	Based in Sweden, but has offices around the world. ²⁵ They are the most popular music streaming subscription service.	Launched in 2007 allowing users to download MP3 files. In 2014 Prime Music launched and allowed Prime Members an ad-free	Apple music was started by the Apple Company in 2015 when the company purchased Beats. The platform includes over	Launched in 2004 in Oakland, CA, Pandora has over 70 million users as of 2021. ²⁸

²⁴ United States Securities Exchange Commission. (2022). Form 20-F Spotify Technology S. A. https://s29.q4cdn.com/175625835/files/doc_financials/2022/ar/b283934e-7a7c-4da6-8749-856dfa4c36e6.pdf

²⁵ Spotify. (n.d.). Listening-is-everything. Retrieved October 3, 2023. <https://www.spotify.com/us/about-us/contact/>

²⁸ Dev Technosys. (n.d.). Pandora music revenue and usage statistics in 2023. Retrieved October, 3 2023. <https://devtechnosys.com/data/pandora-statistics.php#:~:text=According%20to%20recent%20reports%2C%20Pandora's,indicating%20a%202%25%20growth%20rate.>

		listening experience. ²⁶	100 million songs. ²⁷	
Core Competencies	Artist centered Customer centered Technology driven Echo-friendly For music lovers Large inventory	For the tech savvy customer Customer centered Easy use	Technology driven Artist centered For music lovers Easy use Large inventory	Free listening experience User centered Easy use Artist centered
Strengths	Brand awareness Large library Podcast Audiobook Free tier	Finically stable parent company Brand awareness Bundles	Brand awareness Large library Easy interrogation with other devices Bundles	Great algorithm Free use Great playlists

²⁶ Amazon Music for Artists. (2023, March 3). About. Retrieved October 6, 2023.

<https://artists.amazonmusic.com/about-amazon-music>

²⁷ O'Boyle, B. (2023, July 24). What is Apple Music and how does it work? Pocket. <https://www.pocket-lint.com/what-is-apple-music-and-how-does-it-work/#:~:text=Apple%20Music%20is%20a%20subscription,songs%20ripped%20from%20a%20CD.>

Weaknesses	High prices Finical struggles Not enough pay tiers	Not as well know Not as popular	High price Music suggestion not great	Ads between songs Not as well know/not as popular Not enough pay tiers
Market Shares (as of 2022) ²⁹	Over 30%	Around 13%	Around 13%	Under 10%
Revenue (as of 2022)	12.4 billion ³⁰	5.6 billion ³¹	8.3 billion ³²	2.09 billion ³³

²⁹ RouteNote. (2022). Share of music streaming subscribers worldwide in the 2nd quarter of 2022, by company [Graph]. In *Statista*. Retrieved September 28, 2023. <https://www-statista-com.libproxy2.usc.edu/statistics/653926/music-streaming-service-subscriber-share/>

³⁰ Macrotrends. (n.d.). Spotify technology revenue 2018-2023: Spot. Retrieved October 1, 2023. <https://www.macrotrends.net/stocks/charts/SPOT/spotify-technology/revenue#:~:text=Spotify%20Technology%20revenue%20for%20the%20twelve%20months%20ending%20June%2030,a%2027.07%25%20increase%20from%202020.>

³¹ Ribeiro, C., & Guest Contributor. (2022, April 21). Amazon Music: Missing the boat. Amazon Maven - TheStreet. The Street. <https://www.thestreet.com/amazon/media/amazon-music-missing-the-boat>

³² Shewale, R. (2023, July 13). 26+ Apple Music Statistics for 2023 (artists, songs & more). DemandSage. Retrieved October 2, 2023. <https://www.demandsage.com/apple-music-statistics/#:~:text=Apple%20Music%20Statistics%3A%20At%20a%20Glance&text=%248.3%20billion%20in%20revenue%20was,market%20share%20as%20of%202023.>

³³ Dev Technosys. (n.d.). Pandora music revenue and usage statistics in 2023. Retrieved September 29, 2023. <https://devtechnosys.com/data/pandora-statistics.php#:~:text=According%20to%20recent%20reports%2C%20Pandora's,indicating%20a%202%25%20growth%20rate.>

➤ Multi-Dimensional Perception Map

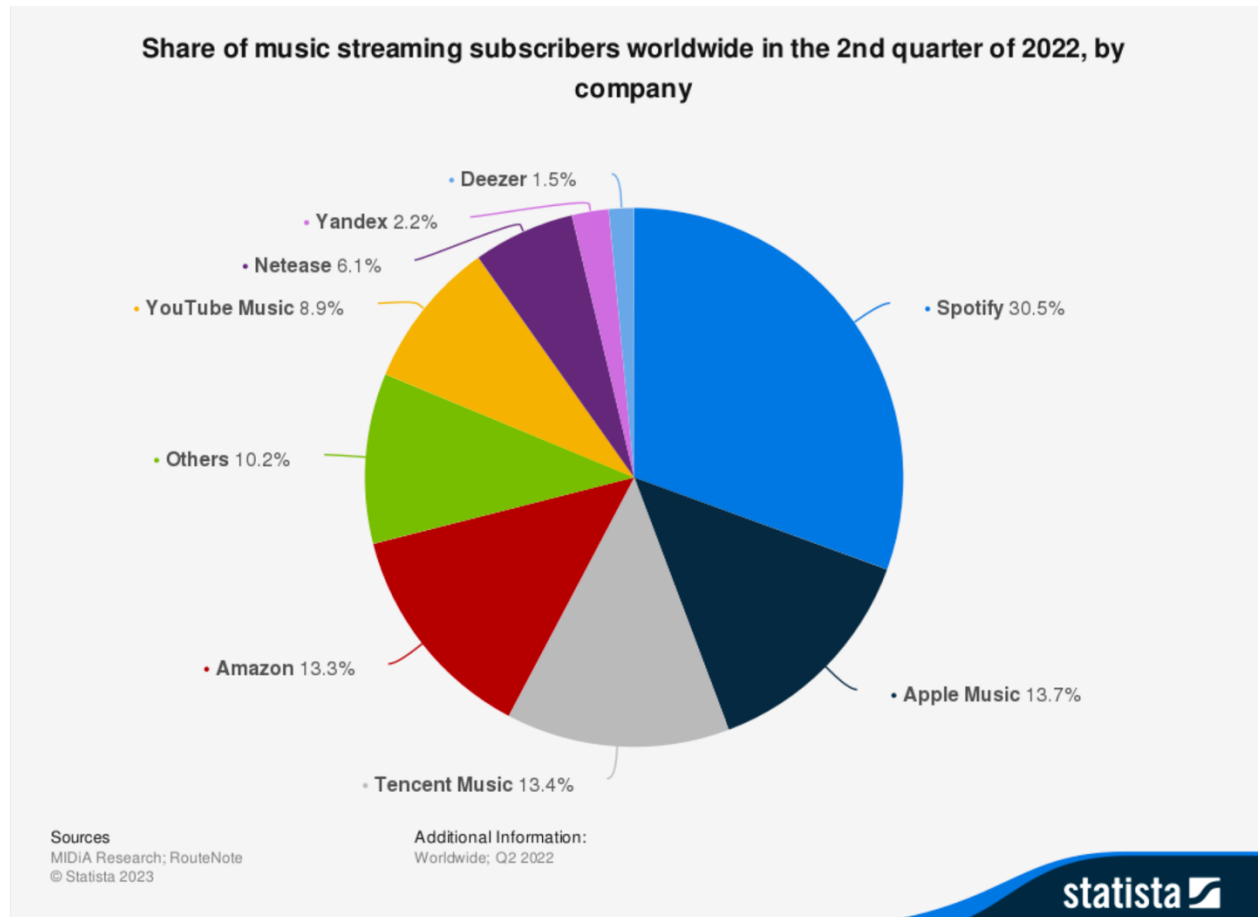


Figure 4 shows the music streaming companies' market shares in 2022. Spotify holds the largest market share.³⁴

	Spotify	Apple Music	Amazon Music	Pandora
Subscribers	7	5	2	4
Price	3	3	5	6
Customer satisfaction	6	2	2	2
Content available	5	5	5	4
Ease of use	6	6	2	2

³⁴ RouteNote. (2022). Share of music streaming subscribers worldwide in the 2nd quarter of 2022, by company [Graph]. In Statista. Retrieved September 28, 2023. <https://www-statista-com.libproxy2.usc.edu/statistics/653926/music-streaming-service-subscriber-share/>

Commitment to sustainability	3	1	1	7
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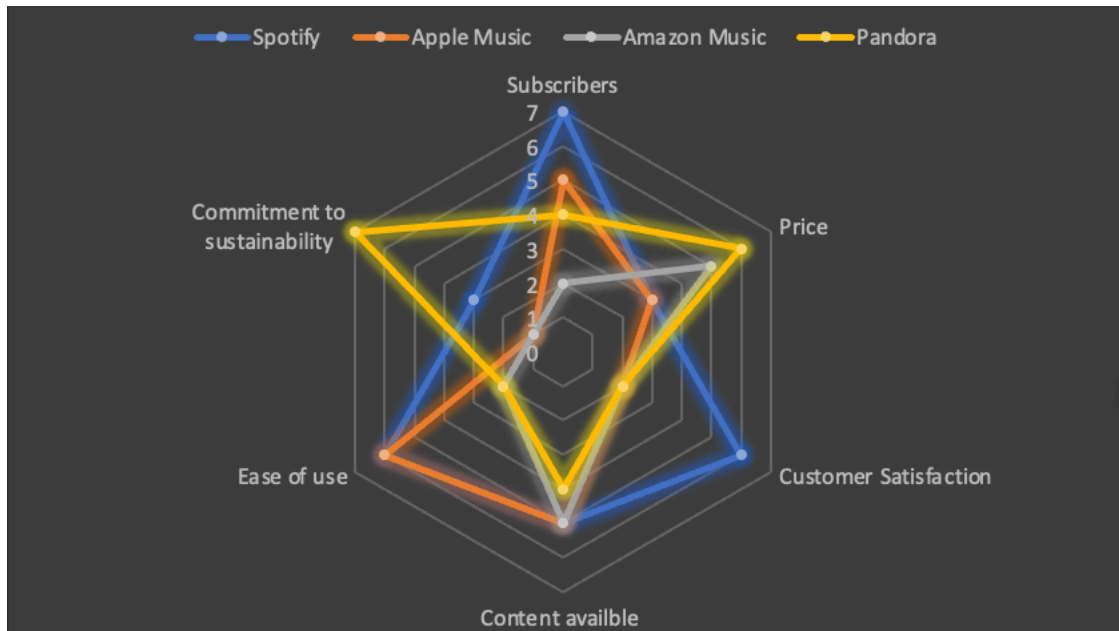


Figure 5 shows the Multi-Dimensional Perception Map comparing features available on Spotify, Apple Music, Amazon Music, and Pandora.

❖ Value Chain Analysis

- The value chain shows how users listen to music these days (see Figure 6).
 - Content Creators or Artists write and record music. They are outside the value chain but very much a part of the process, as it is their songs that people listen to on music streaming platforms like Spotify.
 - The Manufacturers are also outside the value chain but still a part of the process as they deliver equipment to create the best quality for customers.
 - The Distributors & Seller can be considered the record labels that allow their artist's music to be available on the platforms.
 - Administration Automated Systems is a team of employees and the systems that form the company's backbone. They ensure the system can handle various features and create a smooth experience for users and artists.

- The Service Development ensures they stay current with trends and continuously enhance the user's experience on the platform. Spotify stays current to deliver an unrivaled audio streaming experience.
- The Online Service Function is the interface that allows users to find music, play music, and save music. This is the platform that users see and interact with.
- The Content Consumers are the customers or users. They are the people listening to music and other audio-streaming content.
- The Content Consumers not only listen to and discover music on the platform. They also provide feedback to the streaming service through their listening patterns to enhance the listening experience. Customer feedback and data help to create personal listening experiences for every user.
- Another significant influence on Spotify's value chain comes from outside influences. Spotify is influenced by society, technology, and legal factors. Society impacts the number of customers because the age of Spotify listeners is younger and living at home. Areas with a large youth population tend to spend more on Spotify. Technological advancements created Spotify, and social media platforms helped Spotify become popular around the world. Spotify also has to contend with legal factors like employee rights around the world and customer data protection.³⁵

³⁵ Momin, A. (2022, November 30). Spotify pestle analysis: Critical factors affecting the audio streaming platform. PESTLE Analysis. <https://pestleanalysis.com/spotify-pestle-analysis/>

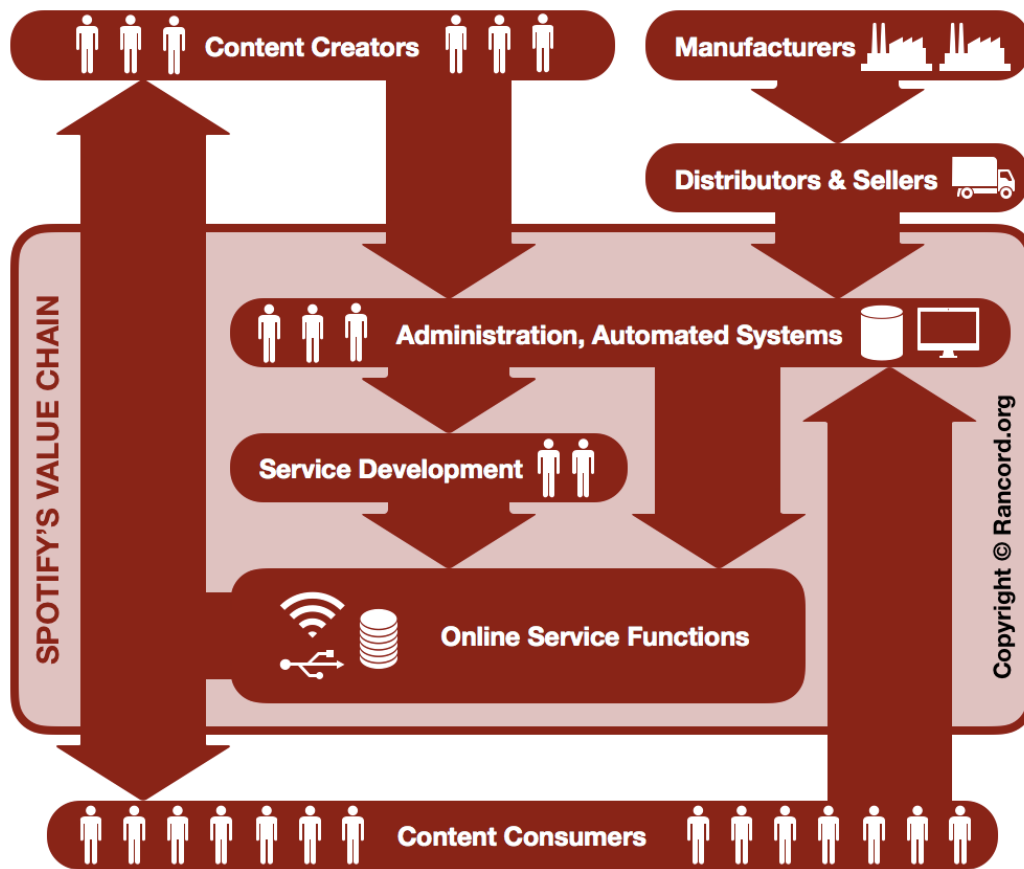


Figure 6 shows Spotify's value chain from the artists who make music and the music manufacturers to the users.³⁶

- This value chain shows how music gets from the artists to a music streaming platform and then is listened to by the users. User feedback is essential to the value chain because it helps platforms create the best listening experience.

❖ Marking Mix

Product	Streaming Music Accounts Free Accounts include ads Premium Accounts are ad free for music Podcast – include ads (can be skipped)
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³⁶ Davis, A. M. (2019, March 9). Spotify VRIO/Vrin Analysis & Value Chain Analysis (resource-based view). Rancord Society. <https://www.rancord.org/spotify-vrin-vrio-analysis-value-chain-analysis-resource-based-view>

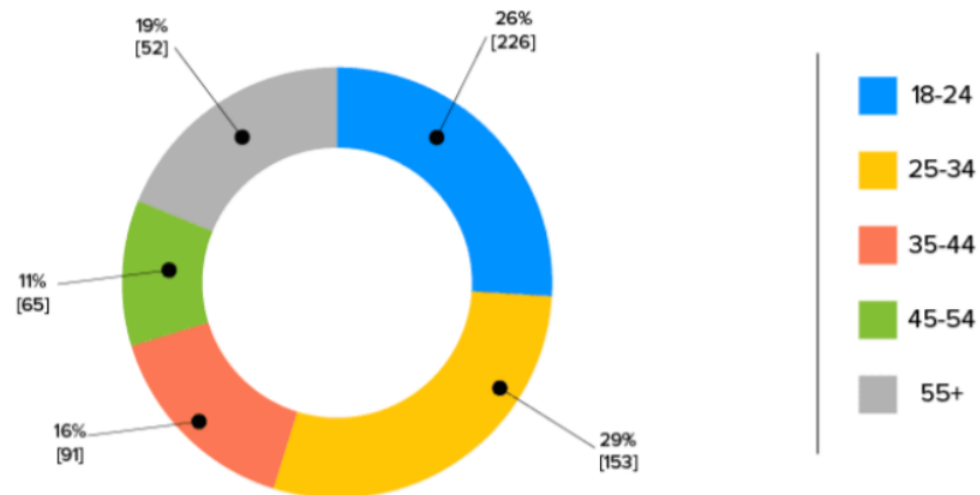
	Audiobooks – for sale
Promotion	<p>Memberships – Free & Premium Tiers</p> <p>Commercials/Ads -TV, internet (including social media sites)</p> <p>Discounts – one month free</p> <p>Emails – reminding listeners to check out new music or podcasts</p>
Place	<p>Today Spotify is used around the world to listen to music. The company began in Stockholm Sweden and now has office in many of the major cities around the world.³⁷</p>
Price	<p>As of today, there are two main tiers offered for Spotify Customers. There is a free version that includes ads and a Premium version that is ad free for \$10.99 a month. Users can add a second user (Premium Duo) to their premium account for \$14.99 a month or add up to six users (Premium Family) for \$16.99 a month.³⁸</p>

³⁷ Locations | Life at Spotify. (n.d.). Locations: Life at Spotify. Retrieved October 1, 2023. <https://www.lifeatspotify.com/locations>

³⁸ Spotify. (n.d.) Spotify Premium - Spotify (US). Retrieved October 6, 2023. <https://www.spotify.com/us/premium/>

❖ Customer Analysis

Spotify User Statistics via Age Demographics



Source: Market Research

Figure 7 shows the age of the users on its platform.³⁹

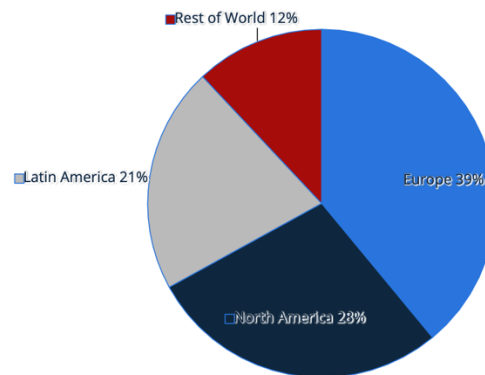
- Platinum Customers – The target audience of Spotify is between 24-35 (see Figure 7) years old and living in Europe and the United States (see Figure 8). Sixty-six million users live in Europe compared to 48 million living in the United States.
- Gold Customers – Over half of Spotify's user base is under 35, making most users of the music streaming platform millennials and Gen Z. The gold customers would be 24 to about 10 years old or the Gen Z population (see figure 7). These customers mostly live in Europe and the US.

³⁹ Nadia. (2022a, December 11). 50+ statistics proving Spotify growth is soaring in 2021. Siteefy. Retrieved October 2, 2023. <https://siteefy.com/spotify-statistics/>

- A small but growing group includes people over 55. These users make up about 20% of the customer base.⁴⁰

Share of Spotify's premium subscribers worldwide in the 3rd quarter 2022, by region

Spotify's global share of premium subscribers Q3 2022, by region



22 | Description: With a combined total of 67 percent, Europe and North America accounted for more paying Spotify subscribers than any other region in the world in the third quarter of 2022. Specifically, Europe accounted for about 39 percent of the total premium subscriber count, making this region the Swedish company's strongest market. Overall, there were over 195 million paying Spotify users that quarter. [Read more](#)
 Note: Worldwide, Q3 2022
 Source: Spotify

statista

Figure 8 shows what parts of the world Spotify listeners live in.⁴¹

❖ Company Analysis

- Spotify's Mission Statement – To unlock the potential of human creativity by giving a million creative artists the opportunity to live off their art and billions of fans the chance to enjoy and be inspired by these creators.⁴²
- Spotify's Vision Statement – We envision a cultural platform where professional creators can break free of the medium's constraints and where everyone can enjoy an immersive

⁴⁰ Gallant, D. (2022, June 27). Spotify target market segmentation – User Demographics & Audience Targeting Strategy for 2022. Start.io - A Mobile Marketing and Audience Platform. <https://www.start.io/blog/spotify-target-market-segmentation-user-demographics-audience-targeting-strategy/>

⁴¹ Spotify. (2022). Share of Spotify's premium subscribers worldwide in the 3rd quarter 2022, by region. [Graph]. In Statista. Retrieved October 06, 2023, from file:///Users/hannahledyard/Downloads/study_id21423_spotify-statista-dossier.pdf

⁴² Spotify. (2023, August 17). About Spotify. Retrieved October 1, 2023. <https://newsroom.spotify.com/company-info/>

artistic experience that enables us to empathize with each other and to feel part of a greater whole.⁴³

- Before music streaming began to take off, the music industry was in trouble. Between 1999 and 2015, record sales dropped by 68%.⁴⁴ Once music streaming companies like Spotify began to grow their users, the music industry revenue once again began to grow. Spotify launched in 2008 and has grown steadily over the years. Today, it is a publicly-traded company and the most popular music streaming company, with over 550 million users worldwide.
- Spotify was conceived by Daniel Ek in 2006, who believed that the world could be improved by music. The site went live in 2008 and allowed users to stream their favorite songs. The company launched in the United States in 2011 and got the stamp of approval from Facebook.⁴⁵
- Finances
 - As of today (October 6, 2023), Spotify's stock is up and costs 160.53 per share.⁴⁶
 - Spotify revenue for 2022 was 12.356 billion, up 8.02% from 2021
 - Spotify revenue for 2021 was 11.438 billion, up 27.07% from 2020
 - Spotify revenue for 2020 was 9.001 billion, up 18.82% from 2019.⁴⁷

⁴³ Pereira, D. (2023, June 14). Spotify Mission and Vision statement. Business Model Analyst. <https://businessmodelanalyst.com/spotify-mission-and-vision-statement/#:~:text=Spotify's%20vision%20statement%20is%2C%20%E2%80%9CWe,part%20of%20a%20greater%20whole.%E2%80%9D>

⁴⁴ Rosser, J. (2020, August 10). Spotify: A case study in business strategy and value compounding. MOI Global. <https://moiglobal.com/spotify-case-study-202008/>

⁴⁵ AFP/The Local. (2018, March 2). The story of spotify: Sweden's controversial King of Music Streaming. The Local Sweden. <https://www.thelocal.se/20180302/the-story-of-spotify-swedens-controversial-king-of-music-streaming>

⁴⁶ Spotify. (n.d.). Financials. Retrieved October 6, 2023 <https://investors.spotify.com/financials/default.aspx>

⁴⁷ Macrotrends. (n.d.). Spotify technology revenue 2018-2023: Spot. Retrieved October 2, 2023. <https://www.macrotrends.net/stocks/charts/SPOT/spotify-technology/revenue>

- Even though Spotify makes over 10 billion in revenue annually, it consistently loses money.⁴⁸

➤ Corporate Responsibility

- Spotify believes it is “Shaping a world we want to live in.” Their message on bettering the world states – We’re in a privileged position. We have the influence to make a real impact. And we’re using it to shape a better future.
- Spotify has three main initiatives to help lift up marginalized communities.⁴⁹
 - Frequency – was launched in 2021 and promotes black artists on and off the platform. This initiative was started to help celebrate and build a space for voices that have been marginalized throughout history.
 - Equal – was also started in 2021 and empowers female artists. This initiative hopes to create an equal playing field for women in music.
 - Glow – celebrates the LGBTQIA+ community. It brings together and promotes queer voices from around the world.
- Spotify is serious about keeping our planet clean.⁵⁰
 - The company hopes to reach net zero greenhouse emissions by 2023.
 - Spotify also uses its platform and reach to give its users and creators awareness and information about the global crisis surrounding climate change.
- Spotify wants its users to know that it is okay not to be okay.⁵¹

⁴⁸ The Art of Business. (2023, August 11). Why Spotify keeps losing money. YouTube.
<https://www.youtube.com/watch?v=y9K6PVWGBEM>

⁴⁹ Social Impact | Life at Spotify. (n.d.). Social impact: Life at Spotify. Retrieved October 6, 2023.
<https://www.lifeatspotify.com/diversity-equity-impact/social-impact>

⁵⁰ Climate Action | Life at Spotify. (n.d.). Climate action: Life at Spotify. Retrieved October 6, 2023.
<https://www.lifeatspotify.com/diversity-equity-impact/climate-action>

⁵¹ Mental Health | Life at Spotify. (n.d.). Mental health: Life at Spotify. Retrieved October 6, 2023.
<https://www.lifeatspotify.com/diversity-equity-impact/mental-health>

- The company started the initiative Heart & Soul to bring awareness to mental health issues and normalize the conversation around mental health.
- Positioning Statement
 - Platinum Users: People 24-35 years old living in Europe and the US listen to music throughout their days, and Spotify is the ultimate destination for music lovers. Spotify is the platform millennials turn to when they want to get lost in a great song, need the distraction of music, or want to feel better by tuning in.
 - Gold Users: People between the ages of 10-24 years old living in Europe and the US also love to lose themselves in audio consumption. Spotify not only has music but also includes Podcasts. This platform is excellent for Gen Z, who likes to tune out the world with media.
 - This group is younger and often has less money or no money of their own.
- Reminding this group that there is a free version of Spotify is essential.

➤ Balance Scorecard

<u>Financial Measurers</u>	<u>Customer Perspective</u>
Revenue	The quality of the sound
Profits from memberships	The artists available on the platform
Market Share growth	How much money they spend on a subscription
Return from investment	New music or playlists suggestions
<u>Operational Perspective</u>	<u>Innovation & Learning Perspective</u>
The cost of paying artist & record labels	Return on investing in new technology
	Customer feedback & surveys

The number of users and what subscription tier they have The quality of each subscription tier What users are listening to	Skilled Employees Employing out of the box thinkers
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SECTION TWO

Situation Analysis (Headphones)

❖ Industry Market Analysis

➤ Background

- Humans go through their lives listening to music; this oral tradition has been a staple throughout history.⁵² Through the ages, music has been a way to tell stories, forget troubles, or create the perfect ambiance. In 2010, a study among college-age students found that they listened to music for over three and a half hours daily. This study concluded that people listen to music for various reasons, including self-expression, relaxation, to fill the silence, and more. People place Music in high regard and are willing to spend resources for a great listening experience.⁵³
- Let's define music as a created sound with various pitches, tones, and rhythms. To make these sounds, humans built instruments, starting with percussion and moving on to wind and string. As humans advanced to writing, they began to capture these sounds in sheet music, and when technology advanced even further, music was recorded for mass consumption.⁵⁴ When headphones were invented, people could listen to music independently and on the go.

⁵² The Library of Congress. (n.d.). Music history from primary sources: The art of musical notation. <https://www.loc.gov/collections/moldenhauer-archives/articles-and-essays/guide-to-archives/music-history/>

⁵³ Lonsdale, A. J., & North, A. C. (2011). Why do we listen to music? A uses and gratifications analysis. *British Journal of Psychology*, 102(1), 108–134. <https://doi-org.libproxy1.usc.edu/10.1348/000712610X506831>

⁵⁴ Evergreen Workshop. (n.d.). A guide to the history of music through the ages. <https://evergreenviolin.com/2020/11/11/a-guide-to-the-history-of-music-through-the-ages/>

➤ Trends

- The first headphones were invented by Nathaniel Baldwin in 1910. He never got a patent on his design but created dozens of these listening devices in his kitchen for the US Navy.⁵⁵
- In 1979, Sony revolutionized how we listen to music with a portable cassette player – the Walkman. People could take their favorite music whenever they wanted to and have music while on the go.⁵⁶ The Walkman gave people a new sense of freedom and provided background sounds while doing mundane tasks. This technology expanded the way humans move through the world.
- MP3 players came on the market in 1998, meaning listeners could save digital songs on a device that was even more practical for travel and music on the go. The only downside in the early days was the amount of space available on the device. In 2001, Apple launched the iPod, which connected to their digital platform, iTunes. Listeners could download any music they wanted for about \$0.99 a song and create for any adventure.⁵⁷ With the advent of MP3s and iPods people could listen to whatever their heart desired whenever they wanted to listen to, and anywhere they had to go.
- The idea was sparked for mobile music with iPods and MP3 players but was popularized even further when smartphones emerged. These phones enabled users to download music streaming apps. Smartphones like the iPhone acted like handheld computers and made listening and creating playlists attainable to people from

⁵⁵ Stamp, J. (2013, March 19). A partial history of headphones. Smithsonian Magazine.
<https://www.smithsonianmag.com/arts-culture/a-partial-history-of-headphones-4693742/>

⁵⁶ The Sound Board. (2024, October 6). A brief history of headphones. LSTN Sound Co.
<https://lstnsound.com/blogs/main/a-brief-history-of-headphones>

⁵⁷ Lonescu, D. (2009, October 29). Evolution of the MP3 player. PCWorld.
https://www.pcworld.com/article/520590/evolution_of_the_mp3_player.html

anywhere at any time. Spotify was launched in 2008, and the app gave users access to its vast music library. Users could create their own playlists and choose from the company's suggested playlists.⁵⁸ A smartphone purchase often comes with a pair of wired headphones, making listening to music on the cell phone convenient.

- Bluetooth was first invented in the late 1990s but didn't become truly popular until a few years later, in the mid-2000s.⁵⁹ This technology creates a way to bypass cable devices such as wires on headphones. Listeners can connect phones and headphones by pairing as long as both devices are Bluetooth-enabled (most devices these days are Bluetooth-enabled). This technology creates a hands-free experience when listening to music, talking on the phone, or connecting cell phones to other devices (fitness trackers, hearing aids, etc.).⁶⁰ Bluetooth headphone like Apple's AirPods allows music listeners to connect a music-streaming app to the Bluetooth headphones and shuffle through songs while keeping the smartphone in a pocket.
- Today, headphone pricing can vary. The price has an extensive range because there are many models and brands to choose from. Simple headphones can be as cheap as five dollars.⁶¹ But if someone is looking for a well-known brand like Beats or Sony, the pricing will increase. Beats are known for their style, costing up to \$350

⁵⁸ Frackiewicz, M. (2023, August 7). The rise of mobile music apps: A look at the history and evolution. TS2 SPACE. <https://ts2.space/en/>

⁵⁹ Brown, A. (2021, August 6). The history of headphones. MUO. <https://www.makeuseof.com/the-history-of-headphones/#:~:text=Bluetooth%20technology%20was%20used%20with,smaller%20and%20easy%20to%20use.>

⁶⁰ Bluetooth Basics. (2012). Internet archive: Wayback Machine. <https://archive.org/web/>

⁶¹ Maxell. (n.d.). Maxell HP-100 Lightweight Stereo Headphone - Stereo - Black - Mini-phone (3.5mm) - Wired - 20 Hz 20 kHz - Nickel Plated Connector - Over-the-head - Binaural - Supra-aural - 4 ft Cable. ICC Business Products. Retrieved October 7, 2023. [https://www.iccbusinessproducts.com/Products/Maxell-HP-100-Lightweight-Stereo-Headphone---Stereo---Black---Mini-phone-\(35mm\)---Wired---20-Hz-20-kHz---Nickel-Plated-Connector---Over-the-head--__MAX190319.aspx?srsId=AfmBOooLV5Jn6VaFD6znlioXaYYibJC0eUjSfTuXry_7aNmID8_Rg-jGDxA](https://www.iccbusinessproducts.com/Products/Maxell-HP-100-Lightweight-Stereo-Headphone---Stereo---Black---Mini-phone-(35mm)---Wired---20-Hz-20-kHz---Nickel-Plated-Connector---Over-the-head--__MAX190319.aspx?srsId=AfmBOooLV5Jn6VaFD6znlioXaYYibJC0eUjSfTuXry_7aNmID8_Rg-jGDxA)

depending on the model purchased.⁶² Features such as Bluetooth and noise-canceling can also increase the price of headphones.

➤ Technology

▪ Wired headphones



Figure 9 shows different models of wired headphones; the more minor pairs fit into the ears, and the more giant pair cover the entire ear.⁶³

- There are still many models of wired headphones on the market. Wired headphones connect the end of the headphone cord to a smartphone jack (see Figure 9). These headphones tend to be priced at the lowest price point but can still vary depending on the style and brand.

⁶² beatsbydre.com. (n.d.). Wireless headphones and earbuds - Beats. Retrieved October 7, 2023. <https://www.beatsbydre.com/products#section-headphones>

⁶³ Wynne, G. (2022, November 4). The highest-rated wired headphones you don't need to remember to charge. HuffPost. https://www.huffpost.com/entry/best-wired-earbuds-headphones_l_63629895e4b045895a98c203

- Bluetooth headphones



Figure 10 shows different brands of Bluetooth headphones, all of which come with a charging case.⁶⁴

- Bluetooth headphones do not connect to a speaker or smartphone through wires but instead pair with a device without cords. This allows music listeners to set their cell phones on the counter and move around a room while listening to music. These headphones are short-range, which means the headphones and cell phone cannot be too far away.⁶⁵ However, Bluetooth technology creates an excellent hands-free listening experience. Many of these headphones come with a charging case (see Figure 10).

⁶⁴ Mutter, M., Powell, M., Tata, S., & Wilber, J. G. (2023, June 5). The 4 best Bluetooth wireless earbuds of 2023. GearLab. <https://www.techgearlab.com/topics/audio/best-wireless-earbuds>

⁶⁵ Bluetooth Basics. (2012). Internet archive: Wayback Machine. Retrieved October 2, 2023. <https://archive.org/web/>

- MP3 headphones
 - MP3 headphones are the latest technology combining headphones with MP3 players. This allows users to store (download) music right onto the headphones and listen without a separate device such as a cell phone. These types of headphones were created for swimmers to listen to music while in the pool. This means most of the brands available are waterproof. Currently, MP3 headphones can hold about an hour's worth of music.⁶⁶
 - This type of headphone has yet to become incredibly popular, but it has the potential to become the standard for athletes and those who do not want to be distracted by a cell phone when working out.

➤ Legal

- Driving while using headphones
 - While driving and listening to music is perfectly legal, it is illegal to drive while using headphones. Headphones can include noise-canceling features, but beyond that, they may obstruct a driver's ability to hear. Drivers need to be visually aware of their circumstances and also must be able to listen out for sirens and other noises from the streets.⁶⁷
- Headphones in the workplace
 - Headphones in the workplace are up for debate, mainly because they may become a liability in some industries. Listening to music could be a distraction and cause

⁶⁶ Best Buy. (n.d.). Shokz bone conduction open-ear mp3 swimming headphones blue S700-St-BL-US. Retrieved October 1, 2023. <https://www.bestbuy.com/site/shokz-bone-conduction-open-ear-mp3-swimming-headphones-blue/6543926.p?skuld=6543926>

⁶⁷ Sirek, A. (2022, July 5). Illegal to drive with headphones? FindLaw. <https://www.findlaw.com/legalblogs/law-and-life/illegal-to-drive-with-headphones/>

harm and potential future lawsuits. A forklift driver could harm themselves and fellow workers if they are not paying attention (and cannot hear).⁶⁸

- Headphones become trash
 - All headphones will eventually get thrown away, and Massachusetts is asking tech companies to do better. The state is trying to pass a law requiring these companies to repair headphones and batteries so that users only sometimes have to purchase the latest model.⁶⁹

⁶⁸ Allen Smith, J. D. (2023, May 12). Should earbuds be allowed in the workplace? SHRM. <https://www.shrm.org/resourcesandtools/legal-and-compliance/employment-law/pages/earbuds-in-workplace.aspx>

⁶⁹ Dragan, L. (2022, March 9). Your wireless earbuds are trash (eventually). The New York Times. <https://www.nytimes.com/wirecutter/blog/your-wireless-earbuds-are-trash-eventually/>

❖ Competition Analysis

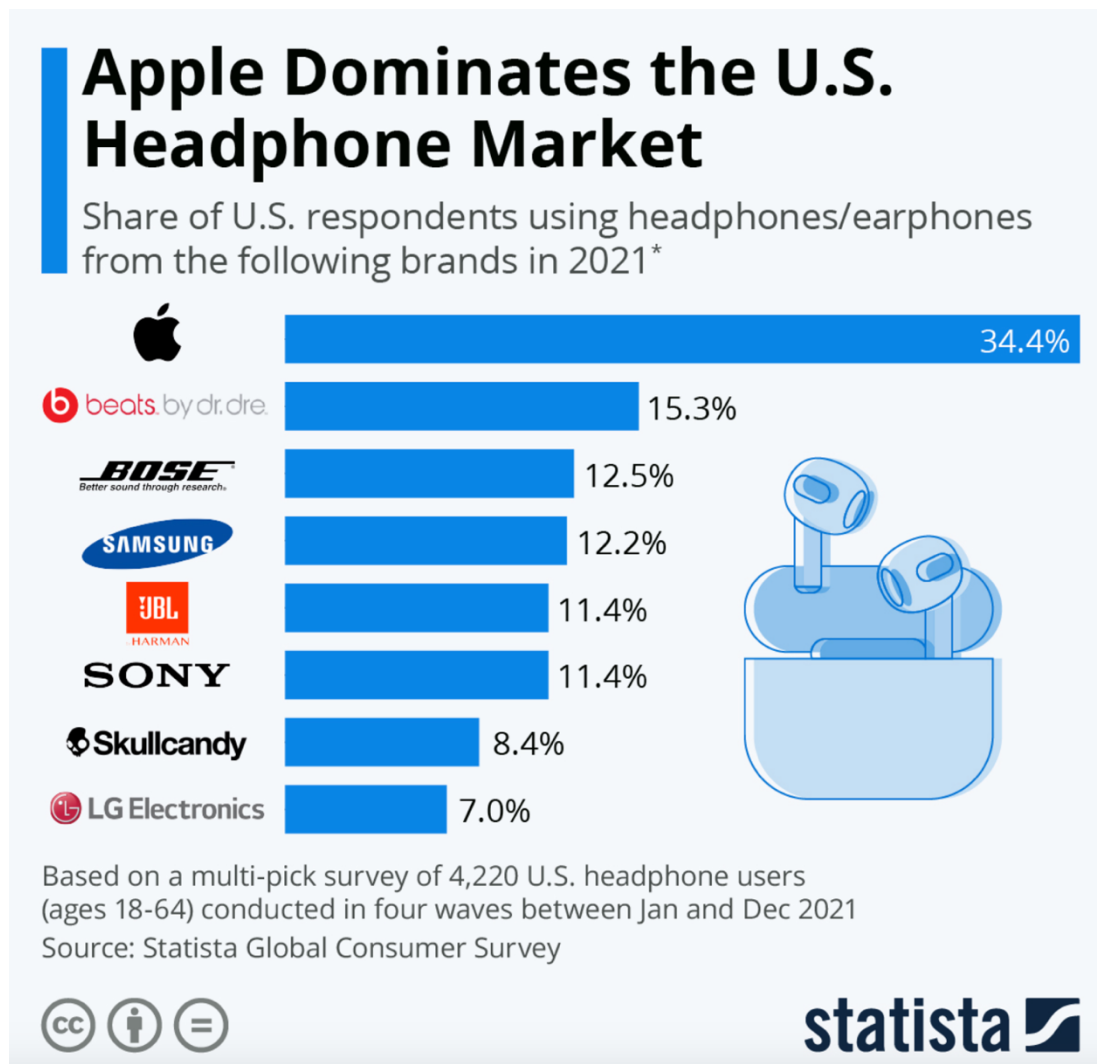


Figure 11 shows the major players in the headphone market in the United States.⁷⁰

- Headphones are designed and manufactured by many tech companies. These companies compete to provide their customers with the best sound, the best look, and the newest features.

⁷⁰ Richter, F. (February 7, 2022). Apple Dominates the U.S. Headphone Market [Digital image]. Retrieved October 1, 2023. from <https://www-statista-com.libproxy1.usc.edu/chart/26791/most-popular-headphone-brands-in-the-us/>

➤ Competitive Matrix

- These Companies were chosen based on popularity and quality (see Figure 11).

Major Player	Sony	Bose	Apple	Beats
Description	The Sony headquarters are in San New York, NY. They are a leader in technology products, entertainment, and much more. They sell some of the best headphones	Bose began as a radio repair company and now strives to be the tech solution for everyone. This company strives to create a better world for their users through technology. ⁷²	Apple's Headquarters is located in California, which began when its founders' made computers from the garage. The company now makes many technology products including computers,	Beats was founded in 2006 by Dr. Dre. This company is a leader in stylish audio devices. ⁷⁴

⁷² Bose. (n.d.). Dream and reach: first 50 years of Bose. Retrieved October 6, 2023. <https://www.bose.com/stories/dream-and-reach>

⁷⁴ beatsbydre.com. (n.d.). About Us. Retrieved October 1, 2023. <https://www.beatsbydre.com/company/aboutus>

	on the market today. ⁷¹		headphones, and much more. ⁷³	
Core Competencies	Quality Technology driven For movie lovers For music lovers For gamers	Customer centered Technology driven Sound quality Entertainment	Connectivity to other devices Technology driven Sleek	Style Sound quality Entertainment driven Has a “cool factor”
Strengths	Brand awareness Many devices Quality Games Music Movies Comfort	Brand awareness Multitude of devices	Brand awareness Easily connect to all devices Streamlined	Brand awareness Quality Style Dr. Dre/artist collaborations Comfort

⁷¹ Sony Corporation of America Businesses – Operating Companies. (n.d.). Sony Corporation of America businesses – operating companies. Retrieved October 6, 2023. https://www.sony.com/en_us/SCA/who-we-are/overview.html#:~:text=Headquartered%20in%20San%20Diego%2C%20Sony,%2C%20distribution%2C%20and%20customer%20service.

⁷³ Levy, S. (2023, October 4). Apple Inc. Encyclopædia Britannica. <https://www.britannica.com/topic/Apple-Inc>

Weaknesses	High cost Unfocused Lackluster marketing	High cost Sound quality is not great for cost	High cost Not a lot of headphone options Headphone not comfortable	High cost New to the market
Market Shares (as of 2021) ⁷⁵	About 11%	About 13%	About 34%	About 15%
Revenue (as of 2022)	About 83 billion ⁷⁶	About 3 billion ⁷⁷	About 394 billion ⁷⁸	About 2 billion ⁷⁹

➤ Multi-Dimensional Perception Map

	Sony	Bose	Apple	Beats
Comfort	6	5	2	4
Price	7	7	5	6
Customer satisfaction	6	7	5	5

⁷⁵ Neely, A. (2022, February 11). Apple takes majority share of U.S. headphone market, study finds. AppleInsider. <https://appleinsider.com/articles/22/02/11/apple-takes-majority-share-of-us-headphone-market-study-finds>

⁷⁶ Sony. (April 28, 2023). Sony's total revenue from fiscal year 2007 to 2022 (in billion Japanese yen / billion U.S. dollars) [Graph]. In Statista. Retrieved October 1, 2023. <https://www-statista-com.libproxy1.usc.edu/statistics/279269/total-revenue-of-sony-since-2008/>

⁷⁷ BOSE. (July 29, 2022). Annual sales of Bose from fiscal year 2017 to 2022 (in billion U.S. dollars) [Graph]. In Statista. Retrieved October 5, 2023. <https://www-statista-com.libproxy1.usc.edu/statistics/1196901/annual-sales-of-bose/>

⁷⁸ Apple. (August 3, 2023). Apple's global revenue from 1st quarter 2005 to 3rd quarter 2023 (in billion U.S. dollars) [Graph]. In Statista. Retrieved October 6, 2023. <https://www-statista-com.libproxy1.usc.edu/statistics/263426/apples-global-revenue-since-1st-quarter-2005/>

⁷⁹ Zippia. (n.d.). Beat Revenue is \$1.5 Billion. Retrieved October 3, 2023. <https://www.zippia.com/beats-careers-200093/revenue/>

Options	7	3	2	2
Quality	6	6	2	2
Fashion	4	2	6	7



Figure 12 shows the Multi-Dimensional Perception Map comparing features available on Sony, Bose, Apple, and Beats Headphones.

❖ Value Chain Analysis



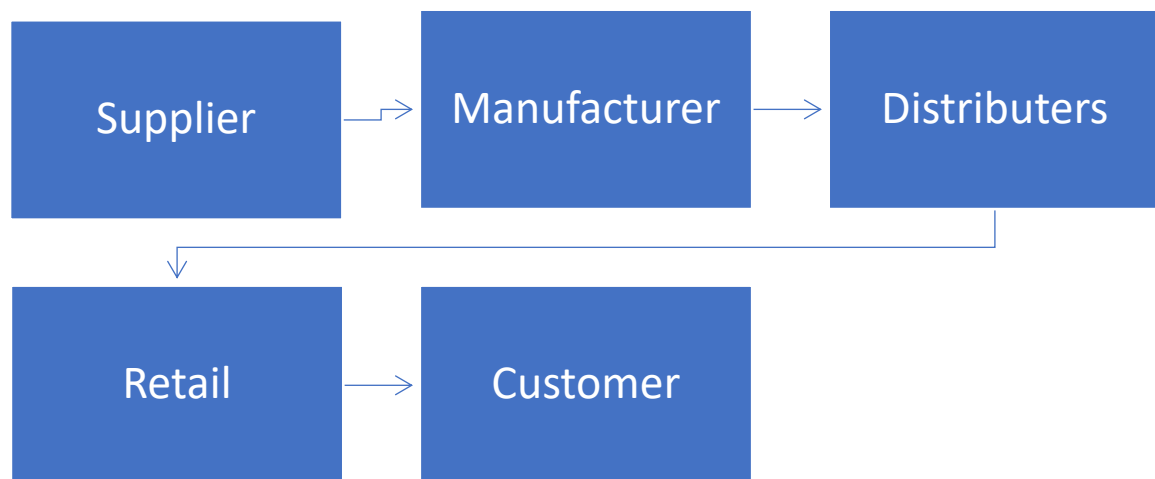
❖ Figure 13 shows an analysis of headphones & earphones through 2029.⁸⁰

- The value chain shows how headphones get from the manufacturers to the customers.
 - Suppliers provide materials to create the headphones. These materials must be of good quality, or the finished product will be impaired.
 - Manufacturers use the supplies to design and then build the headphones.
 - Distributors deliver the finished product to retail stores for resale.

⁸⁰ Maximize Market Research. (2023, June 28). Earphones and headphones market - global industry analysis and forecast (2023-2029). Maximize Market Research. <https://www.maximizemarketresearch.com/market-report/earphones-and-headphones-market/114862/>

- Retail is the physical or online store where the product will be purchased.
- Customers purchase the headphones from retail stores such as Best Buy, Target, or Amazon.
- Another significant influence on the value chain comes from outside influences.

Headphones are influenced by society and technology. Society and technology impact new trends in headphones like Bluetooth capabilities. As the technology becomes more advanced, more companies produce better headphones. This also affects pricing and the competitive market. Customers often want the latest features and are willing to spend on companies that invest in the latest technologies.



- The value chain represents how headphones are made, placed in stores, and sold to customers.

❖ Marketing Mix

Product	Wired Headphones Bluetooth Headphones / Earbuds Noise-cancelling Headphones
Promotion	Commercials/Ads -TV, internet (including social media sites) Discounts – sale on headphones because new inventory is coming in or holiday deals Emails – about promotions and sales through headphone/tech companies
Place	Headphones can be purchase online in e-commerce stores and in physical stores that sell tech devices like Best Buy.
Price	Price for headphones depends on many factors including features, style, brand, and more.

❖ Customer Analysis

- Because many brands make many different types of headphones, it can be challenging to pinpoint the exact target audience for these devices. However, the primary users of

headphones are music lovers. Many headphone users live in Asia and Europe, spending over 20 billion a year on headphones.⁸¹

❖ Company Analysis

- Headphones were created to create a better listening experience for customers and to allow music listeners to hear music on the go. These speakers are worn in or over the ears and produce sound through small speakers.
- There is not one Mission Statement or Vision Statement for Headphones, as many companies make and sell headphones.
- Finances
 - Each company has its own price point for the headphones they sell. This can range drastically in price.
 - These prices can vary depending on
 - Style: If the headphones go over or straight into the ears.
 - Features: Some headphones are noise canceling, and some headphones are Bluetooth. These features might cause the price of the headphones to go up.
 - Quality of sound: the better the sound quality is, the more the headphones will cost.
 - The market size is expected to grow by about 20% in the next ten years.⁸²

⁸¹ Shokz. (n.d.). 20+ headphone statistics savvy buyers need to know. Retrieved October 1, 2023. [https://uk.shokz.com/blogs/news/20-headphone-statistics-savvy-buyers-need-to-know#:~:text=As%20you%20would%20expect%2C%2087,to%20the%20radio%20\(36%25\)](https://uk.shokz.com/blogs/news/20-headphone-statistics-savvy-buyers-need-to-know#:~:text=As%20you%20would%20expect%2C%2087,to%20the%20radio%20(36%25))

⁸² Maximize Market Research. (2023, June 28). Earphones and headphones market - global industry analysis and forecast (2023-2029). Maximize Market Research. <https://www.maximizemarketresearch.com/market-report/earphones-and-headphones-market/114862/>

➤ Positioning Statement

- Platinum Users: Music lovers who live in Europe and Asia spend the most on headphones per year. Spotify's new MP3 headphones are perfect for those wishing to listen to uninterrupted music play.
- Gold Users: Athletes from around the world will love Spotify's new MP3 headphones because they can take the audio listening experience anywhere without a separate device.

➤ Balance Scorecard

<u>Financial Measurers</u>	<u>Customer Perspective</u>
Growth of Market Share	Quality of sounds
Return on the investment	Design of headphones
Revenue	What a customer is doing while listening to music
Competitive pricing	Price of headphones
<u>Operational Perspective</u>	<u>Innovation & Learning Perspective</u>
Quality of the headphones	Customer feedback and surveys
How long a pair of headphones last before being out of date or breaking	Skills needed by employees and manufacturers
Keeping up the trends and new technologies	Innovating new technologies
	Number of employees needed to make the headphones



Figure 14 shows headphones surrounding the Spotify logo; again, we can imagine using Spotify MP3 Headphones.⁸³

Expanded SWOT Analysis⁸⁴

❖ Strengths

➤ Extensive music collection

- Spotify has one of the largest music collections available through a streaming platform. This allows users to have their pick of music genres. No matter what someone's taste in music is, Spotify has an option for them.

⁸³ Lawrence, L. (2022, January 27). *How Spotify uses Spotify*. Protocol. <https://www.protocol.com/workplace/how-spotify-uses-spotify>

⁸⁴ United States Securities Exchange Commission. (2022). Form 20-F Spotify Technology S. A. https://s29.q4cdn.com/175625835/files/doc_financials/2022/ar/b283934e-7a7c-4da6-8749-856dfa4c36e6.pdf

- Spotify now offers podcasts as well as music for those who want to listen to talk radio. They offer a variety of content when it comes to podcasts as well as music.
- Personalization through algorithms
 - Spotify's algorithms suggest new music and playlists based on the songs and music users listen to, download, and like. These recommendations help enhance users' engagement and satisfaction. Spotify provides specific music suggestions based on what it learns about the people using the platform so it can create an individual music experience for everyone.
- Global reach
 - Spotify caters to people around the world, so anyone can download the app and create an account.
 - Since the brand's users are international, the available songs are made by artists worldwide.
- User-friendly
 - Spotify is well known for its intuitive and user-friendly platform, making it easy for listeners to discover, organize, and listen to the music they want.
 - Users can create their own playlists based on music and songs they like or listen to Spotify-created playlists recommended based on what users listen to.
 - Spotify is available for download across many platforms.
- Free & Premium tiers
 - Spotify offers a few different tiers for its subscribers based on how many people listen on one account and how much money they are willing to pay.

- There is a free tier where users cannot control what songs they listen to. This free option includes ads.
- Spotify offers a premium option allowing unlimited skips through music, the ability to download songs, and no ads. This option allows for only one listener at a time.
- The company also offers a two-person account and family premium options (up to six people). Both of these options allow listeners the same benefits as a premium account, but more people can listen to music simultaneously.

➤ Compatibility

- Users can listen to music however they want because Spotify is available on different devices and platforms.
- Spotify has an app available for download on most cell phones, which makes listening on the go simple. Smart TVs, other watching devices, and smart speakers also have the app available for download, creating a home ambiance.
- The company's website design makes it simple for users to browse music and podcasts on a desktop.

➤ Partnerships

- Spotify partners with artists to bring its users the best listening experience. Some of these collaborations create exclusive deals with artists so that Spotify can stay ahead of the competition.
- The Spotify brand is attractive to both users and artists. The number of users helps secure these exclusive deals with artists. And these exclusive deals with artists help bring in more users.

❖ Weaknesses

➤ High Cost of Licensing Music

- Spotify pays record labels and artists a lot of money, making it challenging to secure a profit. The company pays an artist's record label based on the number of times a song is played. The record label then pays the artist they represent.
- The rightsholder gets paid for their song on both the free and the premium versions of Spotify.⁸⁵

➤ Limited Monetization of Podcasts

- Spotify invested heavily in podcasts to draw in new users and to give their current users more listening options. However, podcasts are more challenging than music to monetize for many reasons.
 - Episodes of podcasts are longer than a song and can engage the listeners more deeply, making it harder to place ads inside the episodes without disrupting the listening experience.
 - One podcast might attract listeners from a variety of backgrounds who all have different interests. This can make it difficult to create targeted ads for a podcast or find advertisements that resonate with the entire audience.
 - There are numerous podcasts that cover topics that can be incredibly niche. This can make it difficult for advertisers to identify the shows that suit their products best.
 - On the Spotify platform, ads can be skipped.

⁸⁵ Spotify for Artist. (n.d.). Royalties. Spotify. Retrieved October 1, 2023.
<https://support.spotify.com/us/artists/article/royalties/>

➤ Dependent on Record Labels

- Spotify and record labels must agree upon the amount paid per play and the music available. This gives a lot of control to the record labels about the content listeners have access to. Spotify must rely on these deals to deliver songs to their users.

➤ The Competition

- Nowadays, there are many platforms available for music listeners. With a saturated market, users can choose a different service if Spotify is not meeting their needs. Everyone listens to music, but only some listen to Spotify music.

❖ Opportunities

➤ Diversifications of revenue streams

- Spotify has already begun to look beyond music by adding podcasts and audiobooks for purchase.
- The company can diversify further by getting into live performances or creating its own record labels.
- Spotify could also sell more merchandise, including clothing, stickers, or headphones, with the Spotify logo prominently placed on the merchandise.

➤ Podcast and Audiobook growth

- Spotify already has exclusive podcast deals, including The Joe Rogan Experience and Armchair Expert with Dax Shepard. These exclusive deals attract customers who want to listen to these popular podcasts. Spotify can grow its library through exclusive podcast deals to expand its listener base.
- Audiobooks are another popular form of listening entertainment.

- Currently, Spotify offers Audiobooks for sale, but they could offer exclusively read audiobooks from stories in the public domain.
 - Spotify could also create another payment tier that loans audiobooks to their users (like a library).
 - Spotify could get exclusive rights from publishers to release new books on their platform before any other platform.
- Partnerships and Collaborations
 - Spotify should explore more partnerships with artists, brands, and influencers to create one-of-a-kind content and enhance user engagement.
 - Spotify can also partner with stadiums by placing ads or banners inside. The company could even purchase its own arena and have its name unanimously with a concert space.
- Technology Advancements
 - Spotify must stay updated with current technologies because it is primarily an online service. Investing in cutting-edge technologies will improve the platform and allow users to discover more music, have exposure to the best audio quality, and have the finest listening experience.
- ❖ Threats
 - Competitive Pressures
 - Spotify has to compete with other streaming services. Many of these additional services have other sources of revenue besides music streaming.

- Apple has its own platform for music, but the company also sells gadgets and software. They can bring listeners to their platform by selling them a cell phone that automatically has a free month of Apple Music included with the purchase.
- Amazon is known for e-commerce. The company also creates its own movies and television shows. They own Audible, an audiobook company, and sell Kindles to read eBooks on. Amazon has become a one-stop shop for almost everything, including music.

➤ A Changing Music Industry

- Spotify has to contend with the landscape of the music industry. Artists may want to make more of a profit from their albums, so Spotify may need to renegotiate contracts and pay record labels more per song listened to.
- The company must also stay updated with licensing and copyright regulations to ensure they are not doing anything illegal.

➤ Emerging Technologies

- As technology advances, Spotify will have to compete with new formats.
- One of these new formats is immersive audio streaming, which creates a three-dimensional listening experience instead of a mono audio listening experience.
- Another new technology is blockchain-based music distribution. This allows artists and fans to connect directly.⁸⁶

⁸⁶ PR Newswire. (2023, July 25). *The music industry is now on the blockchain*. Yahoo! Finance. https://finance.yahoo.com/news/music-industry-now-blockchain-124400740.html?guccounter=1&guce_referrer=aHR0cHM6Ly93d3cuZ29vZ2xlmNvbS8&guce_referrer_sig=AQAAA B8bTyicw7q5wNzmK15qTY8tZe94FCj67Oe5LK5ksQb-pVczas3-WE9x4vs3XhRRcDAW5c8b0axkETCIW0a0L2eGF4HrP_ap0iqqn5IO6J8m5fyUPAqFpyb3naQ-QUfe3zsFeNawoPZodc0lp2cgwlxfT6U6MZqi7sDIVPeyhUJL

➤ Customer Privacy

- Data breaches are a huge concern for any online business with an internet presence, which is almost any company nowadays. Spotify collects payment and other user information when someone signs up for an account. If there is a system breach, users' data might be compromised.

❖ Strategies to Maximize Strengths & Opportunities

➤ User engagement programs

- Spotify can develop loyalty programs for long-term users, such as early access to new content.
- Spotify can have concert ticket giveaways to listeners. They might give the first three people who listen to a new album tickets to that artist's show (similar to when a radio show would provide tickets for the first three callers).
- Spotify can create a sense of community by including messaging boards or recommending user-made playlists instead of merely Spotify-made playlists.

➤ Exclusive Artist Content

- To strengthen relationships with artists, Spotify can create exclusive brand deals like artist-designed headphones (See recommendation one for more)
- Spotify can release behind-the-scenes content about the making of a new album to get fans excited about listening to it.
- An artist collaboration might include premium subscribers getting to listen to some albums a day early, creating a sense of exclusivity.

➤ Enhanced Personalization

- Spotify should continue to refine its algorithms to create the best listening experience for each user.
- Spotify already has playlists recommended for the morning or for working out. They can curate even more specific playlists for their users, such as before the big game playlist or while writing a school paper playlist.
- Spotify should recommend a new artist a day based on the type of music listened to. That way, users can discover artists they have never heard of and expand their listening habits.

➤ Data-Driven Insights

- Spotify can leverage the wealth of user data to gain insight into music trends and preferences and stay ahead of the competition.
- These insights can inform what kinds of playlists to create, which artists should get exclusive deals, and how to plan the following marketing strategy.
- Spotify can gain insight from their user's wants and needs to develop the next considerable music listening experience, such as MP3 headphones that no longer need an outside source to hold songs and playlists.

➤ Investment in new Technologies

- Spotify should stay ahead of the newest audio streaming technologies, such as Hi-res or spatial audio.
- Spotify can produce its own interactive music videos or virtual reality music experiences.

- Spotify should invest in creating their own headphones or speakers to develop more revenue streams and put their names on listening devices. This has the potential to make Spotify not only a listening platform but a platform with the best quality sounds.

❖ Strategies to Mitigate the Weaknesses and Threats

➤ Creating more Revenue Streams

- Spotify needs to reduce its dependence on music.
 - The company can sell more merchandise.
 - Spotify can create speakers or headphones.
 - Spotify can use its platform to sell concert tickets or produce and stream concerts for a price.

➤ Comprehensive Cybersecurity Measures

- Spotify needs to maintain the trust between the company and the users and take every precaution to keep user data safe.
- The company should invest in the latest cybersecurity to protect user data.
- The securities should be regularly updated and tested to protect data.

➤ Adapting to new Technologies

- Spotify must stay current with trends in new technologies to keep current in the marketplace.
- Spotify can integrate voice activation into its platform to keep up with Amazon Alexa or Google Assistant.
- Spotify should produce concerts designed on Virtual Reality Platforms to give their users new ways to experience their favorite artists.

➤ More Price Tiers

- Spotify should develop more price tiers based on what their users like to listen to.
- The company can include a price tier for those who want to rent audiobooks. Users would pay more than premium members but could get access to a library of Spotify audiobooks.
- Spotify can have another price tier for ad-free podcasts.

RECOMMENDATIONS, RISKS, AND MITIGATIONS

Recommendation one**Artist Collaboration Headphones**

- Spotify will team up with popular music artists to curate headphones for that artist's fans. The artist will help design these headphones, possibly putting their signature or a logo associated with that artist.
- The Spotify Headphone artist collaboration might happen when a new album is released. The benefit of these artist headphones is to get fans excited about the new album and cross-promote the album and Spotify Headphones. A limited amount of Artist Collaboration Headphones will be made, making the headphones unique and a collector's item for some fans.

Risks:	Mitigations:
<ul style="list-style-type: none"> □ The artist could get canceled, or their reputation could become tarnished due to a controversy. □ One Artist could be overexposed in the Spotify marketing department, which might lead to decreased effectiveness. □ The cost of collaborating with certain artists might be out of the marketing budget. 	<ul style="list-style-type: none"> □ Spotify should conduct background checks of any artist they are considering partnering with. □ The Artist Collaboration Headphones will have short releases and a limited amount of each artist's pair of headphones. Spotify will use an array of artists so that the customers don't get bored with one, and all fans can get their favorite artist's headphones. □ Spotify will evaluate the cost of a particular celebrity endorsement against the expected revenue generated. Spotify can also collaborate with up-and-coming artists, which will cost less and help to promote new artist work.

Recommendation two

Headphones made with Recycled Materials

- Spotify will design its headphones with the environment in mind. The company will use recycled materials or eco-friendly materials to create its headphones. Other companies use recycled car parts or wheat straw⁸⁷ to create more sustainable headphones. Many companies are also switching their product packaging to sustainable or recycled materials.⁸⁸
- As a music streaming service, Spotify has not had too much waste related to its name. But as the company looks forward and develops more products, such as headphones, they need to continue on a sustainable path. As a global brand, Spotify must lead others to continue to keep our world happy and healthy.

Risks:	Mitigations:
<ul style="list-style-type: none"> <input type="checkbox"/> Cost of recycled materials might be too high <input type="checkbox"/> Effectiveness of recycled materials <input type="checkbox"/> Materials might not be recycled or sustainable 	<ul style="list-style-type: none"> <input type="checkbox"/> Explore long term contracts or create a pricing agreement with the supplier. Often price of materials goes down the more that is purchased at one time <input type="checkbox"/> Spotify must regularly conduct quality control test to make sure their product meets the market standards <input type="checkbox"/> Spotify can look for materials that have been certified or find conformation from third party vendors

⁸⁷ PromoCharger. (2022, March 4). Ep130 unboxing - einkorn eco-friendly TWS earbuds. YouTube. <https://www.youtube.com/watch?v=GqAqUiLyHLw>

⁸⁸ Sony. (n.d.). ECO MDR: Sustainable headphones. Eco MDR | Sustainable Headphones | Sony Nigeria. Retrieved September 29, 2023. https://www.sony.com/ng/electronics/eco/headphones#Sustainable_packaging

Recommendation three

Get Money Towards the Newest Version of Spotify's MP3 Headphones when Turning in an Old Pair

- When the newest model of headphones gets released, customers can turn in their older pair and earn money towards their new set of headphones. Depending on the condition of the customer's older pair of headphones, they can receive up to 35% of what they paid. The better the condition, the more the customer gets back.
- This will allow Spotify to reuse materials from their older pair of headphones. There are third-party buyers such as Best Buy, but if the customer sells back to Spotify, the company can recycle its own goods.

Risks:	Mitigations:
<ul style="list-style-type: none"> □ This could be a financial risk if the trade-in value is set too high □ Keeping track of the older trade-in models and the new models being sold may become challenging and result in outdated stock □ Frequent upgrades might dilute the brand image and cause customers to associate Spotify with discounts instead of innovation 	<ul style="list-style-type: none"> □ Conduct regular financial analyses to determine the impact of these incentives on the revenue and profitability □ Streamline the trade-in policy by adding drop-off locations (maybe BestBuy) and implement inventory management systems to handle trade-ins. □ Ensure that each new model offers improvements, features, or technology that justifies the upgrade. Make the newest model more appealing than the older models

Bonus Recommendation for Spotify

Recommendation four

Rent Audiobooks through Spotify

- * This recommendation does not directly apply to Spotify's MP3 Headphones. This recommendation is based on my love of listening to novels while on a long run.
- Spotify will rent out audiobooks on its platform for an extra membership fee. Spotify will charge an additional \$1.99-3.99 per month so that customers can check out audiobooks on its platform. Customers can still pay full price and keep the audiobook forever, but they will also have the option of adding to their premium accounts and paying for audiobook rentals.
- An extra \$1.99 will allow customers three rentals per month from a library of older, less in-demand books, and \$3.99 will give customers three rentals per month from a library of newer, more high-demand books.
- Books will be returned after 30 days. A customer can check out the book again if the audiobook is available. Some of the more popular books may be rented out by another subscriber and unavailable to check out a second time by the original customer.

Risks:	Mitigations:
<ul style="list-style-type: none"> □ Copyright infringements laws □ Popular books are not getting enough circulation among customers 	<ul style="list-style-type: none"> □ Implement digital rights management measures to protect the content and enforce copyright regulations □ Run this program as a trial and gather feedback from customers about what books they want to listen to. Set a rental period of 20 days so that popular books get returned and can get checked out by the next customer

<ul style="list-style-type: none">□ Customers may not want to pay the cost of paying the rental fees□ Issues may arise while trying to integrate audiobooks into a music platform	<ul style="list-style-type: none">□ Spotify can offer free audiobooks from works that are in the public domain and add ads to these works. That way, there can still be a free audiobook option□ Invest in a user-friendly interface that will merge audiobooks into the existing platform while maintain a smooth customer experience
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